

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07 INT-05 L-02

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SP-02 SS-15 STR-01 TRSE-00 FRB-01 FEA-01 INRE-00

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TO SECSTATE WASHDC IMMEDIATE 5374

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E.O. 11652: N/A

TAGS: ENRG, CA, US

SUBJ: ENERGY: POTENTIAL CANADIAN CURTAILMENT OF NATURAL
GAS EXPORTS

REF: STATE 005888

1. EMBOFF DISCUSSED MATTER OF DECREASED U.S. DEMAND
FOR PLANT CONDENSATE AND CONSEQUENT EFFECT ON
NATURAL GAS PRODUCTION AND EXPORTS WITH NATIONAL
ENERGY BOARD (NEB) ASSOCIATE VICE CHAIRMAN STABBACK
UPON RECEIPT OF REFTEL. STABBACK WAS THOROUGHLY
FAMILIAR WITH SUBJECT AND DESCRIBED THE POTENTIAL
FOR CANADIAN PRODUCTION CUTBACKS AS "VERY SERIOUS."

2. STABBACK INFORMED EMBOFF THAT NEB TECHNICAL REPS
TO MEETING ON TURNOVER OF IMPORT ALLOCATION RESPONSIBILITY
WITH FEA IN WASHINGTON JANUARY 14 INTEND TO DESCRIBE
THE TECHNICAL PROBLEMS IN THIS MATTER AND EXPRESS
CANADIAN CONCERN AS A SUPPLEMENTAL AGENDA ITEM.

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(NEB REPS WILL BE SCOTCHMER, DIRECTOR OF OIL POLICY

BRANCH; PORTER, CHIEF OF EXPORT PROGRAM DIVISION;
AND BUCHHOLZ, CHIEF, RESEARCH DIVISION.)

3. STABBACK, WHO SAID HE HAD BEEN DISCUSSING PROBLEM
WITH ALBERTA AUTHORITIES THIS MORNING, ALSO INFORMED
EMBOFF THAT IT WAS INTERPROVINCIAL PIPE LINE (IPL) THAT
HAD DECIDED THAT PRODUCTION OF PLANT CONDENSATE HAD TO BE
CURTAILED BY 25,000 B/D, AND NOT RPT NOT THE ALBERTA
ENERGY RESOURCE CONSERVATION (ERCB). THE ERCB,
HE SAID, DOES NOT PRESENTLY HAVE THE MEANS IN PRACTICE
TO SHUT-IN OR ALLOCATE CONDENSATE PRODUCTION AS IT HAS
WITH REGARD TO CRUDE OIL PRODUCTION. HE ADDED THAT
REGARDLESS OF WHO DECIDED ON THE CUTBACKS, HOWEVER,
THE RESULTS ARE IDENTICAL.

4. ACCORDING TO STABBACK, IPL, WHICH NORMALLY DELIVERS
120,000 B/D OF CONDENSATE TO THE U.S., EXPERIENCED A
SHORTFALL IN U.S. DEMAND IN DECEMBER OF 10,000 B/D,
IS FACED WITH A FURTHER INVENTORY BUILD-UP OF 10,000
TO 15,000 B/D IN JANUARY, AND IS RAPIDLY
APPROACHING FULL STORAGE CAPACITY; HENCE THE REQUEST
FOR A 25,000 B/D CUTBACK.

5. STABBACK NOTED FOR BACKGROUND THAT CONDENSTATE
PROBLEM EXACERBATED BY FACT THAT WHILE CONDENSTATE IS
MOST DESIRABLE TO REFINERS IN SUMMER MONTHS AS A
FEEDSTOCK FOR GASOLINE PRODUCTION, MOST PRODUCTION
OCCURS IN WINTER MONTHS WITH GREATER DEMAND FOR
NATURAL GAS PRODUCTION.

6. IN CONCLUDING THE CONVERSATION, STABBACK STATED
THAT THE ALBERTA AUTHORITIES WERE PUTTING "GREAT HOPE
AND TRUST" IN THE NEB'S ABILITY TO CONVINCE THE FEA
THAT PLANT CONDENSTATE SHOULD BE INCLUDED IN THE U.S.
CRUDE OIL IMPORT ENTITLEMENT PROGRAM.

7. STABBACK SAID IT WAS IMPOSSIBLE AT THIS MOMENT
TO SAY WHAT THE DIMENSIONS OF NATURAL GAS CURTAILMENT
MIGHT HAVE TO BE IN THE EVENT THE CONDENSTATE PROBLEM
IS NOT RESOLVED, BUT THE CUTBACK "COULD BE" SIGNIFICANT.
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HE PROMISED TO KEEP THE EMBASSY INFORMED OF DEVELOPMENTS,
BUT HOPES PROGRESS CAN BE MADE AT THE JANUARY 14.
MEETING IN WASHINGTON. PORTER

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